Recommendations of the working group on Financial Companies

*417. SHRI SUNDER SINGH BHANDARI:
DR. NAUNIHAL SINGH:

Will the Minister of FINANCE be pleased to state:

(a) whether Government have studied the recommendation of the Working Group on Financial Companies headed by Shri A. C. Shah;

(b) if so, the decision taken by Government together with the details of the important recommendations; and

(c) what is the manner in which Government propose to implement the recommendations of the Working Group?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) and (b) The recommendations of the Working Group on Financial Companies have been examined by Reserve Bank of India and accepted in principle. The important recommendations of the Working Group are as under:—

(i) Dismantling of category-wise classification and application of uniform regulations for Non-Banking Financial Companies.

(ii) Regulatory attention to be on companies with net owned funds of Rs. 50 lakhs and under.

(iii) Entry norms for new companies.

(iv) Shifting of focus of regulation from liability side to asset side of the companies.

(v) Capital adequacy standard to be introduced based on risk weights for assets and credit conversion factors for off balance sheet items. Pending implementation of the capital adequacy norm, overall debt-equity ratio be 15 : 1.

(vi) The amount of funds placed under Portfolio Management Scheme may be related to net owned funds of a company.

(vii) The time periods for acceptance and deposits by Non-banking Financial Companies should range from 12 months to 84 months.

(viii) Interest rates on deposits accepted by Non-Banking Financial Companies should be pegged at 2 to 3 per cent over the rates offered by commercial banks.

(ix) Norms be prescribed for income recognition, transparency of accounts, provision for bad and doubtful debts.

(c) These will be implemented in a phased manner.

Income Tax exemption for voluntary Retirement Schemes

*418. DR. ABRAR AHMED:
SHRI BHUBANESWAR KALITA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that a number of companies applied to the CBDT during the years 1991 and 1992 seeking exemption from payment of Income Tax for their Voluntary Retirement Scheme (VRS) duly approved by their Administrative Ministries;

(b) whether it is also a fact that the CBDT issued a Notification dated the 18th August, 1992 prescribing guidelines for the said purpose;

(c) whether the said guidelines make no mention about the cases already pending with the CBDT prior to the issue of the said Notification nor did the CBDT communicate approval to the companies;

(d) whether it is also a fact that Voluntary Retirement Scheme of such companies although not entirely in accordance with the said guidelines, yet meets most of its requirements; and

(e) if so, the steps being taken by Government to expedite approval to these companies in order to avoid hardship to the employees ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): (a) Yes, Sir.

(b) Yes, Sir. But the guidelines prescribed by the Central Board of Direct Taxes on 18-8-1992 apply to employees retiring on or after 1-4-1992.

(c) It is a fact that the said guidelines make no mention about such pending cases.

However, in respect of cases relating to the period prior to 1-4-1992 approvals are still being communicated by the Central Government.

In respect of cases relating to the period on or after 1-4-1992, no specific approval is necessary for schemes of public sector companies. The employees of such schemes will be entitled to the benefit if they are in accordance with the guidelines framed on 18-8-1992.

(d) and (e) The Central Board of Direct Taxes has clarified on 26-11-1992 that the guidelines issued on 18-8-1992 would apply to the employees retiring on or after 1-4-1992. Hence, such of those schemes approved by the respective Central Administrative Ministries in accordance with the BPE (Bureau of Public Enterprises) guidelines will be eligible for exemption as the guidelines issued by the Central Board of Direct Taxes are similar to, and in fact, more liberal than, the Bureau of Public Enterprises guidelines. Hence, there is no hardship.

RBI action against foreign national working in foreign banks

*419. SHRI GHUFRAN AZAM: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the foreign nationals working in foreign Banks in India have been violating rules pertaining to their stay in the country;

(b) whether the RBI, desipite violation by foreign nationals, have not initiated any action against them; and

(c) if so, what are the details thereof and also the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) We have no information regarding foreign nationals working in foreign banks in India in violation of the rules pertaining to their stay in the country.

(b) and (c) Do not arise.

Strike by pilots of Indian Airlines

*420. SHRI RAMDAS AGARWAL:
SHRI JOHN F. FERNANDES:

Will the Minister of CIVIL AVIATION AND TOURISM be pleased to state:

(a) whether the pilots of Indian Airlines have gone on a strike from midnight of December 9, 1992;

(b) if so, what are the reasons for the failure of talks with the Indian Commercial Pilots' Association and what are the main demands of the Association; and

(c) what is the manner in which Government have decided to meet the present situation if the strike continues/prolongs in the near future?

THE MINISTER OF CIVIL AVIATION AND TOURISM SHRI MADHAVRAO SCINDIA): (a) Yes, Sir.

(b) The flight safety issue having been referred for arbitration by DGCA, the demands that now remain are mainly financial. The talks with the Indian Commercial Pilots' Association failed because of the rigid attitude of the Association.

(c) A contingency schedule has been drawn up, and is being operated by Indian Airlines with the help of dedicated staff and also by taking in lease aircraft with crew.